

Message Text

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C O N F I D E N T I A L CARACAS 6135

ARA FOR LUERS

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SUBJ: MULTILATERAL FERTILIZER PROGRAM

1. IN MEETING JUNE 13 BETWEEN STAFF OF MINISTER OF STATE, MANUEL PEREZ GUERRERO, AND EMBASSY OFFICERS, DR. JULIO GIL EXPRESSED STRONG INTEREST IN DISCUSSING MULTILATERAL FERTILIZER PRODUCTION PROGRAM WITH SECRETARY BUTZ AND HIS PARTY DURING MEETING WITH PEREZ GUERRERO SCHEDULED JULY 18. GIL OUTLINED A TENTATIVE PLAN TO FORM A HOLDING COMPANY SPONSORED BY SEVERAL LATIN AMERICAN COUNTRIES, INCLUDING PERHAPS MEXICO, BRAZIL, AND PERU, IN ADDITION TO VENEZUELA. THE COMPANY WOULD BUILD A LARGE-SCALE PLANT FOR THE PURPOSE OF SUPPLYING FERTILIZER TO OTHER LATIN AMERICAN COUNTRIES ON CONCESSIONAL TERMS. A PORTION OF THE PLANT'S PRODUCTION, HOWEVER, MIGHT BE SOLD AT COMMERCIAL PRICES. THE PLANT WOULD BE LOCATED CONVENIENTLY TO RAW MATERIALS SOURCES. GIL SPECULATED THAT IT MIGHT BE BUILT IN MEXICO, BUT STATED THAT A SITE IN VENEZUELA WOULD PROBABLY BE MOST APPROPRIATE BECAUSE OF ITS ABUNDANT RAW MATERIALS. HE SAID THAT VENEZUELA HAD CONSULTED OTHER COUNTRIES INFORMALLY ON THE PLAN AND HAS RECEIVED FAVORABLE COMMENTS.

2. DR. GIL INDICATED THAT CAPITAL FOR THE PROJECT WOULD BE PROVIDED BY THE PARTICIPAING LATIN AMERICAN COUNTRIES WITH
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SOME VENEZUELAN FINANCING PROVIDED; HOWEVER, IF WE WISHED UNITED

STATES COULD ALSO PARTICIPATE FINANCIALLY. GIL EMPHASIZED, HOWEVER, THAT TECHNOLOGICAL SUPPORT WAS THE ELEMENT MOST NEEDED FROM THE U.S. IT WOULD BE APPROPRIATE, HE SAID, THAT THE TECHNOLOGY BE SUPPLIED AT LESS THAN THE "ONEROUS" TERMS WHICH MIGHT NORMALLY BE AVAILABLE.

3. EMBASSY OFFICERS ACKNOWLEDGED THAT THE POSSIBILITY OF SUCH A PROJECT HAD BEEN DISCUSSED IN PRIOR MEETINGS WITH THE FOREIGN MINISTRY BUT ONLY IN VERY GENERAL TERMS AND WITH THE UNDERSTANDING THAT THIS WOULD BE A RATHER LONG TERM PROGRAM. THE EMBASSY OFFICERS PROMISED TO BRING THE VENEZUELAN PROPOSAL TO THE ATTENTION OF THE DEPARTMENT OF STATE SO THAT SECRETARY BUTZ AND HIS PARTY MIGHT BE ALERTED TO VENEZUELA'S DESIRE TO DISCUSS IT DURING SECRETARY BUTZ' VISIT.

4. COMMENT: IT APPEARS THAT THE GOV MAY BE PREPARED TO MOVE AHEAD ON THE FERTILIZER PROJECT WHETHER OR NOT THE US IS INTERESTED IN PARTICIPATING. THEY OBVIOUSLY DESIRE, HOWEVER, TO HAVE USG COOPERATION IN ORDER TO ASSURE ESSENTIAL TECHNOLOGICAL AND MANAGERIAL REQUIREMENTS FOR THE PROJECT. VENEZUELA'S EXPERIENCE SO FAR IN PETRO-CHEMICAL AND FERTILIZER PRODUCTION IS ACKNOWLEDGED UNIVERSALLY BY GOV OFFICIALS TO HAVE BEEN DISASTROUS.

5. THE EMBASSY, ALTHOUGH REALIZING THAT THIS PROPOSAL IS OUTSIDE USDA'S NORMAL RESPONSIBILITIES, RECOMMENDS THAT SECRETARY BUTZ AND HIS PARTY BE PREPARED TO LISTEN SYMPATHETICALLY. THIS PROPOSAL IS THE MOST SPECIFIC IDEA WHICH HAS ARISEN FROM DISCUSSION OF BILATERAL ISSUES BEGINNING EARLY THIS YEAR. THE TENOR OF THE U.S. RESPONSE WILL BE IMPORTANT FOR THE FUTURE OF SUCH CONSULTATIONS. SHLAUDEMAN

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